

CITY OF SIBLEY, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2016

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CITY OF SIBLEY, IOWA

OFFICIALS

(Before January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jerry L. Johnson	Mayor	January 1, 2016
Tim Nobles	Mayor Pro tem	January 1, 2016
Gail Buchholtz	Council Member	January 1, 2018
Mike Groote	Council Member	January 1, 2018
Jan Henningsen	Council Member	January 1, 2016
Larry Pedley	Council Member	January 1, 2018
Glenn Anderson	Administrator	Indefinite
Wendy Ewoldt	City Clerk/Treasurer	Indefinite
Harold D. Dawson	Attorney	Indefinite

(After January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jerry L. Johnson	Mayor	January 1, 2018
Tim Nobles	Mayor Pro tem	January 1, 2020
Gail Buchholtz	Council Member	January 1, 2018
Mike Groote	Council Member	January 1, 2018
Jan Henningsen	Council Member	January 1, 2020
Larry Pedley	Council Member	January 1, 2018
Glenn Anderson	Administrator	Indefinite
Wendy Ewoldt	City Clerk/Treasurer	Indefinite
Harold D. Dawson	Attorney	Indefinite

GRANT AND WILLIAMS, INC.
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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
Sibley, Iowa:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund and the aggregate remaining fund information of City of Sibley, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Sibley, Iowa, as of June 30, 2016, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sibley, Iowa's basic financial statements. The audits for the years ended June 30, 2006-2014 were not done by this office, but were in accordance with the standards referred to in the third paragraph of this report, and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the previous year ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 8 through 14 and 35 through 42 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2016 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Grant and Williams, Inc.
Certified Public Accountants
Sioux Falls, SD
December 15, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Sibley provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 20.108%, or approximately \$635,000, from fiscal 2015 to fiscal 2016. Property tax increased \$32,031, charges for services increased \$81,916, local option sales tax decreased \$84,893, bond proceeds decreased \$675,000, and grant proceeds increased \$19,914 while general receipts decreased \$68,400, mostly due to a decrease in the revolving loan payments.
- Disbursements of the City's governmental activities decreased 18.889%, or approximately \$544,000, from fiscal 2015 to fiscal 2016. Public safety disbursements increased \$23,934, public works decreased \$104,122, culture and recreation increased \$78,907, health and social services increased \$1,831, community and economic development decreased \$2,915, debt service decreased \$623,758, and capital projects decreased \$55,834, while general government increased \$137,889.
- The City's total cash basis net position decreased 1.999%, or approximately \$76,000, from June 30, 2015 to June 30, 2016. Of this amount, the cash basis net position of the governmental activities increased approximately \$187,000 and the net position of the business type activities decreased by approximately \$263,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the electric, garbage, water, sewer, transit service, rail spur, and golf course. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, and Urban Renewal Tax Increment, 3) Capital Projects, and 4) the Debt Service Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains sixteen Enterprise Funds to provide separate information for the electric, garbage, water, sewer, transit service, rail spur and golf course funds. Electric, water, and golf funds are considered to be major funds of the City. Internal Service Fund is an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statements for proprietary funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

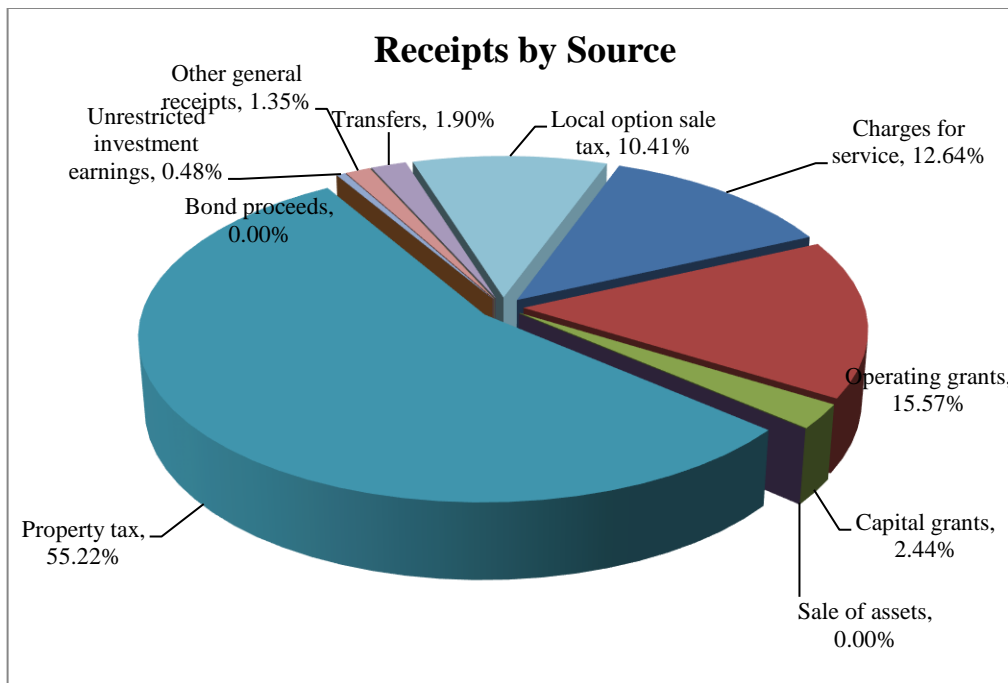
Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

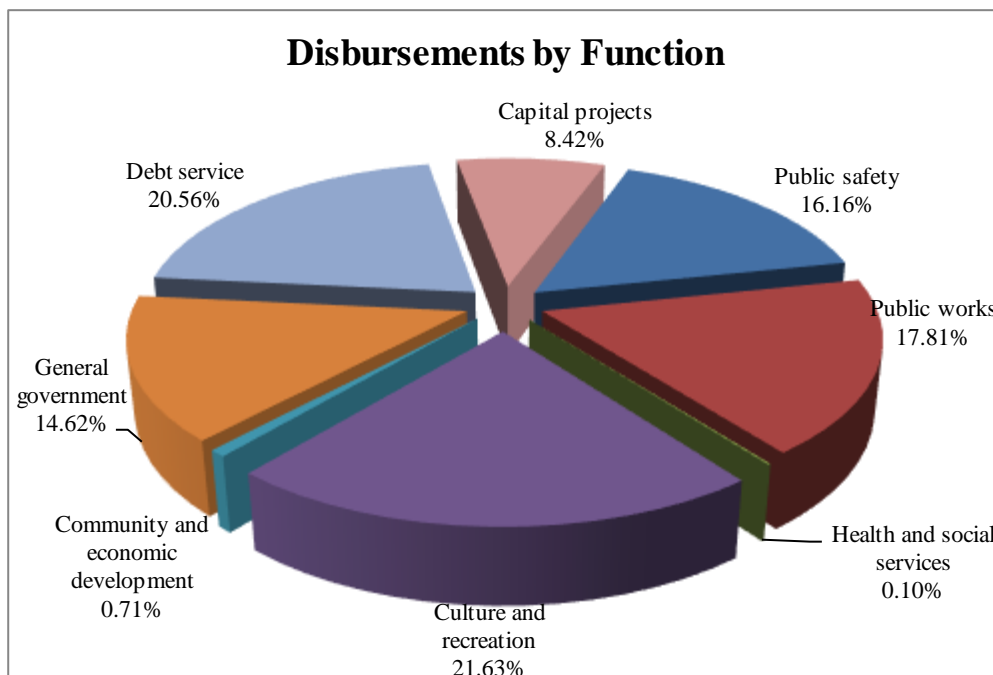
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$1,070,265 to \$1,257,407. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)

	Year ended June 30,		
	2016	2015	\$ change
Receipts and transfer:			
Program receipts:			
Charges for service	\$ 319	\$ 237	\$ 82
Operating grants, contributions and restricted interest	393	333	60
Capital grants, contributions and restricted interest	61	42	19
General receipts:			
Property tax	1,393	1,361	32
Local option sales tax	263	348	(85)
Unrestricted investment earnings	12	12	-
Bond proceeds	-	675	(675)
Other general receipts	34	128	(94)
Transfers, net	48	22	26
Total receipts and transfers	2,523	3,158	(635)
Disbursements:			
Public safety	377	354	23
Public works	416	520	(104)
Health and social services	2	1	1
Culture and recreation	505	426	79
Community and economic development	17	19	(2)
General government	342	204	138
Debt service	480	1,104	(624)
Capital projects	197	252	(55)
Total disbursements	2,336	2,880	(544)
Increase (decrease) in cash basis net assets	187	278	(91)
Cash basis net position beginning of year	1,070	792	278
Cash basis net position end of year	\$ 1,257	\$ 1,070	187



The City's total receipts for governmental activities decreased by 20.106%, from approximately \$3.158 million to \$2.523 million in 2016. The significant decrease in receipts was primarily the result of bond proceeds compared to the prior year. The City decreased property tax rates for 2016 by 3.26%. Due to increases in total assessed valuation, the City's property tax receipts increased by approximately \$32,000 in 2016.



The cost of all governmental activities this year was \$2,336,105 compared to \$2,880,173 last year. The total cost of all programs and services decreased by approximately \$0.544 million or 18.89%, with no new programs added this year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 16-17, the amount taxpayers ultimately financed for these activities was only \$1,562,975 because some of the cost was paid by those directly benefited from the programs was \$318,898 or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest was \$454,232. The City paid for the remaining "public benefit"

portion of governmental activities with \$1,393,245 in property tax (some of which could only be used for certain programs), local option sales tax of \$262,602, interest of \$12,132, and general entitlements of \$34,134.

Changes in Cash Basis Net Position of Business Type Activities
(Expressed in Thousands)

	Year ended June 30,		
	2016	2015	\$ change
Receipts and transfer:			
Program receipts:			
Charges for service			
Electric	\$ 3,090	\$ 2,983	107
Water	587	579	8
Sewer	271	268	3
Garbage	335	327	8
Golf	227	208	19
Transit Services	19	23	(4)
Rail Road Spur	-	6	(6)
Other nonmajor	-	1	(1)
General receipts:			
Unrestricted investment earnings	135	202	(67)
Bond proceeds	-	842	(842)
Total receipts	4,664	5,439	(775)
Disbursements:			
Electric	3,348	3,028	320
Water	542	535	7
Sewer	231	207	24
Garbage	334	306	28
Golf	270	244	26
Transit Services	37	37	-
Rail Road Spur	63	1,602	(1,539)
Other nonmajor	54	42	12
Transfers	48	22	26
Total disbursements	4,927	6,023	(1,096)
Increase (decrease) in cash basis net position	(263)	(584)	321
Cash basis net position beginning of year	2,715	3,299	(584)
Cash basis net position end of year	\$ 2,452	\$ 2,715	(263)

Total business type activities receipts for the fiscal year were \$4,664,512 compared to \$5,440,198 from last year. This decrease was due primarily due to no bonds being issued in the year. The cash balances decreased by \$262,837 from the prior year due to Capital Projects started in the prior year were completed in the current year. Total disbursements and transfers for the fiscal year decreased by \$1,096,855 from \$6,024,204 last year to a total of \$4,927,349 this year. These decreases are due primarily to the Capital Projects referenced above.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As City of Sibley completed the year, its governmental funds reported a combined fund balance of \$1,257,407, an increase of \$187,145 from last year's total of \$1,070,265. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$140,173 from the prior year to \$(288,006). This increase was due primarily to local option sales tax revenue and the decision to transfer available

funds from the enterprise funds to the General Fund until the deficit has been eliminated. The City intends to continue close monitoring of the disbursements to insure only necessary purchases are made while attempting to secure other sources of receipts.

- The Road Use Tax Fund cash balance increased by \$138,148 to \$142,862 during the fiscal year. This increase was attributable to an increase in state funds and a reduction in street projects.
- The Special Revenue and Capital Projects Fund purchase equipment during the year. The cash balance decreased by \$23,724 to \$1,014,974 which was attributable to the capital projects during the year.
- The Debt Service Fund cash balance increased by \$31,705 to \$78,725 during the fiscal year. This increase was due to the decreased in the debt service disbursements from last year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Electric Fund cash balance decreased by \$317,692 to \$2,234,353 due primarily to the cooling tower project and storm damage repairs.
- The Water Fund (which includes the Lewis and Clark Project) cash balance increased by \$40,481 to \$687,444 due primarily to an increase in revenues during the year.
- The Sewer Fund cash balance increased by \$35,956 to \$254,173 due primarily to an increase in revenues during the year.
- The Garbage Fund cash balance decreased by \$4,146 to \$14,995 due primarily to the increase in salaries, benefits and other expenditures being higher than the prior year.
- The Golf Course Fund cash balance decreased by \$37,997 to \$(465,826), due primarily to the increase in salaries, benefits and other expenditures being higher than the prior year.
- The Rail Road Spur Fund cash balance increased by \$40,947 to \$(411,380), due primarily to the contributions and transfers in to the Fund.
- The Transit Service Fund cash balance decreased by \$730 to \$7,859, due primarily to the operating revenues being lower than the prior year and expenditures being higher than the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget two times. The amendments were approved on December 14, 2015 and May 9, 2016. The results were increases in disbursements for public works, culture and recreation, community and economic development, general government, capital projects, and business type activities. There was also a decrease in the debt service.

The City's receipts were \$476,097 less than the amended budget. This was primarily due to less charges for services and other city taxes received than included in the amendment.

The disbursements for the public safety; public works; health and social services; culture and recreation; community and economic development; general government; debt service; capital projects and business type activities were \$12,297; \$63,428; \$19; \$39,459; \$300,375; \$45,945; \$1; \$92,138 and \$467,064, respectively, less than the amended budget primarily due to capital projects budgeted for and completed in the prior year.

DEBT ADMINISTRATION

At June 30, 2016, the City had \$5,986,337 in bonds and other long-term debt, compared to \$6,643,364 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2016	2015
Capital Loan Notes	\$ 1,190,000	\$ 1,440,000
TIF Capital Loan Notes	2,580,000	2,710,000
Revenue notes	2,158,000	2,407,000
Capital Leases	58,337	86,364
Total	\$ 5,986,337	\$ 6,643,364

There was no new debt issued in the current year. The City has not currently been assigned a rating by national rating agencies on the City's debt. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and TIF debt of \$3,770,000 is safely below its constitutional debt limit of \$5,044,796. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

City of Sibley's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. The City's employment growth had been flat to increasing in recent years. Unemployment in the City now stands at 3.6 percent. This compares with the State's unemployment rate of 4.2 percent and the national rate of 5.0 percent.

These indicators were taken into account when adopting the budget for fiscal year 2017. Amounts available for appropriation in the operating budget are \$9.1 million, an increase of 13.05% from the final 2016 budget. Budgeted disbursements are expected to increase due to increase in public safety projects. The City has added no major new programs or initiatives to the 2017 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$159,343 by the close of 2017 mostly due to an increase in government activities expenditures.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Wendy Ewoldt, City Clerk, 808 Third Ave., Sibley, Iowa, 51249.

City of Sibley, Iowa
Basic Financial Statements

City of Sibley, Iowa
Statement of Activities and Net Position - Cash Basis
As of and for the year ended June 30, 2016

Functions/Programs	Disbursements	Program Revenues		
		Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 377,443	\$ -	\$ -	\$ -
Public works	416,076	-	352,756	-
Health and social services	2,331	-	-	-
Culture and recreation	505,258	180,537	-	-
Community and economic development	16,540	-	21,651	61,450
General government	341,483	46,525	18,375	-
Debt service	480,282	-	-	-
Capital projects	196,692	91,836	-	-
Total governmental activities	2,336,105	318,898	392,782	61,450
Business type activities:				
Electric	3,348,009	3,090,173	-	-
Water / Lewis & Clark	541,857	587,238	-	-
Sewer	230,880	271,095	-	-
Garbage	334,001	335,305	-	-
Golf	269,996	227,115	-	-
Transit Service	37,101	18,730	-	-
Rail Spur	63,053	-	-	-
Other nonmajor	54,445	190	-	-
Total business type activities	4,879,342	4,529,846	-	-
Total	7,215,447	4,848,744	392,782	61,450
General Receipts:				
Property tax levied for:				
General purposes				
Tax incremental financing				
Local option sales tax				
Unrestricted interest on investment				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Expendable:				
Streets				
Urban renewal purposes				
Debt service				
Special revenue funds				
Capital projects funds				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Exhibit A

**Net (Disbursements) Receipts
and Changes in Cash Basis Net Position**

Governmental Activities	Business Type Activities	Total
\$ (377,443)	\$ -	\$ (377,443)
(63,320)	-	(63,320)
(2,331)	-	(2,331)
(324,721)	-	(324,721)
66,561	-	66,561
(276,583)	-	(276,583)
(480,282)	-	(480,282)
(104,856)	-	(104,856)
(1,562,975)	-	(1,562,975)
-	(257,836)	(257,836)
-	45,381	45,381
-	40,215	40,215
-	1,304	1,304
-	(42,881)	(42,881)
-	(18,371)	(18,371)
-	(63,053)	(63,053)
-	(54,255)	(54,255)
-	(349,496)	(349,496)
(1,562,975)	(349,496)	(1,912,471)
1,117,156	-	1,117,156
276,089	-	276,089
262,602	-	262,602
12,132	2,753	14,885
34,134	131,913	166,047
48,007	(48,007)	-
1,750,120	86,659	1,836,779
187,145	(262,837)	(75,692)
1,070,262	2,714,896	3,785,158
\$ 1,257,407	\$ 2,452,059	\$ 3,709,466
142,862	-	142,862
21,333	-	21,333
78,725	197,323	276,048
287,519	-	287,519
1,014,974	-	1,014,974
(288,006)	2,254,736	1,966,730
\$ 1,257,407	\$ 2,452,059	\$ 3,709,466

City of Sibley, Iowa
Statement of Cash Receipts, Disbursements and Changes in
Cash Balances - Governmental Funds
As of and for the year ended June 30, 2016

	General	Road Use Tax	Capital Projects
Receipts:			
Property tax	\$ 663,845	\$ -	\$ -
Tax increment financing collections	-	-	-
Local Option Sales Taxes	262,602	-	-
Other city tax	15,749	-	-
Licenses and permits	46,525	-	-
Use of money and property	12,132	-	-
Intergovernmental	27,699	345,775	-
Charges for service	152,838	-	91,836
Special assessments	-	-	6,981
Miscellaneous	9,345	-	-
Total Receipts	<u>1,190,735</u>	<u>345,775</u>	<u>98,817</u>
Disbursements:			
Operating:			
Public safety	335,758	-	-
Public works	131,953	207,627	-
Health and social services	2,331	-	-
Culture and recreation	432,823	-	-
Community and economic development	16,540	-	-
General government	170,274	-	-
Debt service	-	-	-
Capital projects	-	-	196,692
Total Disbursements	<u>1,089,679</u>	<u>207,627</u>	<u>196,692</u>
Excess of receipts over disbursements	<u>101,056</u>	<u>138,148</u>	<u>(97,875)</u>
Other financing sources (uses):			
Grant proceeds	37,669	-	-
Operating transfers in	96,440	-	94,151
Operating transfers out	(94,992)	-	(20,000)
Total other financing sources (uses)	<u>39,117</u>	<u>-</u>	<u>74,151</u>
Net change in cash balances	140,173	138,148	(23,724)
Cash balances beginning of year	(428,179)	4,714	1,038,698
Cash balances end of year	<u>\$ (288,006)</u>	<u>\$ 142,862</u>	<u>\$ 1,014,974</u>
Cash Basis Fund Balances			
Restricted for:			
Streets	-	142,862	-
Urban renewal purposes	-	-	-
Debt service	-	-	-
Special revenue funds	-	-	-
Capital projects funds	-	-	1,014,974
Unassigned:	(288,006)	-	-
Total cash basis fund balances	<u>\$ (288,006)</u>	<u>\$ 142,862</u>	<u>\$ 1,014,974</u>

See notes to financial statements.

Exhibit B

Debt Service	Other Nonmajor Governmental Funds	Total
\$ 213,170	\$ 240,141	\$ 1,117,156
-	276,089	276,089
-	-	262,602
-	-	15,749
-	-	46,525
-	24,277	36,409
23,781	-	397,255
-	-	244,674
-	-	6,981
-	24,789	34,134
236,951	565,296	2,437,574

-	41,685	377,443
-	76,496	416,076
-	-	2,331
-	72,435	505,258
-	-	16,540
-	171,209	341,483
480,282	-	480,282
-	-	196,692
480,282	361,825	2,336,105
(243,331)	203,471	101,469

-	-	37,669
275,036	-	465,627
-	(302,628)	(417,620)
275,036	(302,628)	85,676
31,705	(99,157)	187,145
47,020	408,009	1,070,262
\$ 78,725	\$ 308,852	\$ 1,257,407

-	-	142,862
-	21,333	21,333
78,725	-	78,725
-	287,519	287,519
-	-	1,014,974
-	-	(288,006)
\$ 78,725	\$ 308,852	\$ 1,257,407

City of Sibley, Iowa
Statement of Cash Receipts, Disbursements and Changes in
Cash Balances - Proprietary Funds
As of and for the year ended June 30, 2016

	Enterprise Funds		
	Electric	Water	Sewer
Operating receipts:			
Use of money and property	\$ 2,753	\$ -	\$ -
Licenses and permits	15,335	300	200
Charge for service	3,074,838	586,938	270,895
Miscellaneous	51,913	-	-
Total operating receipts	<u>3,144,839</u>	<u>587,238</u>	<u>271,095</u>
Operating disbursements:			
Governmental activities:			
Business type activities	3,176,106	408,054	211,677
Total operating disbursements	<u>3,176,106</u>	<u>408,054</u>	<u>211,677</u>
Excess (deficiency) of operating receipts over (under)	<u>(31,267)</u>	<u>179,184</u>	<u>59,418</u>
Non-operating receipts (disbursements):			
Miscellaneous	-	-	-
Capital projects	(3,720)	-	-
Debt service	(168,183)	(133,803)	(19,203)
Total non-operating receipts (disbursements)	<u>(171,903)</u>	<u>(133,803)</u>	<u>(19,203)</u>
Excess of receipts over (under) disbursement	(203,170)	45,381	40,215
Operating transfers in	178,151	65,440	19,224
Operating transfers out	<u>(292,673)</u>	<u>(70,340)</u>	<u>(23,483)</u>
Net change in cash balances	(317,692)	40,481	35,956
Cash balances beginning of year	<u>2,552,045</u>	<u>646,963</u>	<u>218,217</u>
Cash balances end of year	<u>\$ 2,234,353</u>	<u>\$ 687,444</u>	<u>\$ 254,173</u>
Cash Basis Fund Balances			
Reserved for debt service	\$ 81,349	\$ 100,769	\$ 15,205
Unreserved	2,153,004	586,675	238,968
Total cash basis fund balances	<u>\$ 2,234,353</u>	<u>\$ 687,444</u>	<u>\$ 254,173</u>

See notes to financial statements.

Exhibit C

Enterprise Funds					Internal Service
Garbage	Golf	Rail Road Spur	Transit Service	Total	Employee Health
\$ -	\$ -	\$ -	\$ -	\$ 2,753	\$ -
-	-	-	-	15,835	-
335,305	227,115	-	18,730	4,513,821	190
-	-	-	-	51,913	-
335,305	227,115	-	18,730	4,584,322	190
291,415	269,996	63,053	37,101	4,457,402	54,445
291,415	269,996	63,053	37,101	4,457,402	54,445
43,890	(42,881)	(63,053)	(18,371)	126,920	(54,255)
-	-	80,000	-	80,000	-
-	-	-	-	(3,720)	-
(42,586)	-	-	-	(363,775)	-
(42,586)	-	80,000	-	(287,495)	-
1,304	(42,881)	16,947	(18,371)	(160,575)	(54,255)
-	14,852	24,000	22,641	324,308	34,599
(5,450)	(9,968)	-	(5,000)	(406,914)	-
(4,146)	(37,997)	40,947	(730)	(243,181)	(19,656)
19,141	(427,829)	(452,327)	8,589	2,564,799	150,097
\$ 14,995	\$ (465,826)	\$ (411,380)	\$ 7,859	\$ 2,321,618	\$ 130,441
\$ -	\$ -	\$ -	\$ -	\$ 197,323	\$ -
14,995	(465,826)	(411,380)	7,859	2,124,295	130,441
\$ 14,995	\$ (465,826)	\$ (411,380)	\$ 7,859	\$ 2,321,618	\$ 130,441

City of Sibley, Iowa
Reconciliation of the Statement of Cash Receipts, Disbursements and
Changes in Cash Balances to the Statement of Activities and
Net Position - Proprietary Funds
As of and for the year ended June 30, 2016

Exhibit D

Total enterprise funds cash balances (page 21)	\$	2,321,618
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Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. The cash balance of the Internal Service Fund is included in business type activities in the Cash Basis Statement of Net Position.

		130,441
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Cash basis net position of business-type activities (page 17)	\$	2,452,059
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Change in cash balances (page 21)	\$	(243,181)
--	----	-----------

Amounts reported for business type activities in the Cash Basis Statements of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. The change in the cash balance of the Internal Service Fund is reported with business type activities in the Cash Basis Statement of Activities and Net Position.

		(19,656)
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Change in cash basis net position of business type activities (page 17)	\$	(262,837)
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See notes to financial statements.

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2016

(1) Summary of Significant Accounting Policies

The City of Sibley is a political subdivision of the State of Iowa located in Osceola County. It was first incorporated in 1875 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides electric, garbage, water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Sibley has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Osceola County Economic Development Commission, Osceola County Emergency Management Commission, Osceola County Landfill Commission and Osceola County Public Safety Commission.

B. Basis of Presentation

Government-wide Financial Statements – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balance are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2016

The Cash Basis Statement of Activities and Net Position demonstrate the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts form general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Electric Utility Fund accounts for the operation and maintenance of the City's electricity and generator substation system.

The Water Utility Fund accounts for the operation and maintenance of the City's water system and includes the Lewis and Clark Rural Water System project.

The Sewer Utility Fund accounts for the operation and maintenance of the City's sewer system.

The Garbage Utility Fund accounts for the operation of the City's garbage service for the City's residences.

The Golf Course Fund accounts for the operation and maintenance of the City's golf course and clubhouse.

The Transit Service Fund accounts for the operation and maintenance of the City's transit services for the City.

The Rail Road Spur Fund accounts for the operation and maintenance as well as the construction of the rail road spur into the industrial park.

The City also reports the following additional proprietary funds:

An Internal Service Fund is utilized to account for the processing of employee health insurance reimbursement under a deductible reimbursement plan of the City.

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2016

C. Measurement Focus and Basis of Accounting

The City of Sibley maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2016, disbursements exceeded the amounts budgeted in the culture and recreation, debt service, and business type activities functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2016

rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City did not have any deposits that qualified as investments at June 30, 2016.

Interest rate risk – The City’s investment policy limits the investment of operating funds (funds expected to be disbursed in the current budget or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for revenue bonds and capital loan notes are as follows:

Year	Revenue Bonds		Capital Loan Notes		TIF Capital Loan Notes		Totals	
Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
June 30,								
2017	\$ 249,000	\$ 66,145	\$ 200,000	\$ 37,428	\$ 141,000	\$ 60,830	\$ 590,000	\$ 164,403
2018	255,000	61,538	155,000	33,028	141,000	59,380	551,000	153,945
2019	260,000	56,273	155,000	29,028	142,000	57,633	557,000	142,933
2020	100,000	50,050	40,000	25,928	142,000	55,705	282,000	131,683
2021	106,000	46,435	40,000	22,828	148,000	53,460	294,000	122,723
2022 - 2026	563,000	171,635	220,000	98,223	785,000	223,153	1,568,000	493,010
2027 - 2031	440,000	71,845	260,000	63,588	888,000	128,358	1,588,000	263,790
2032 - 2036	185,000	9,098	120,000	14,200	193,000	16,905	498,000	40,203
Totals	\$ 2,158,000	\$ 533,018	\$ 1,190,000	\$ 324,248	\$ 2,580,000	\$ 655,423	\$ 5,928,000	\$ 1,512,688

Urban Renewal Tax Increment Financing Capital Loan Notes

The City issued \$2,950,000 of urban renewal tax increment financing (TIF) Capital Loan Notes during fiscal 2012 for the purpose of defraying a portion of the costs of various construction projects within the Urban Renewal District. The Notes are payable solely from the TIF receipts generated by increased property values in the City’s TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Code 403.19 of the Code of Iowa. TIF receipts are generally projected to be 100% of the debt service requirements over the life of the Notes. The proceeds of the urban renewal TIF capital loan notes shall be expended only for the purposes which are consistent with the plans of the City’s urban renewal area. The Notes are not a general obligation of the City. However, the debt is subject to the constitutional debt limits of the City. Total principal and interest remaining on the Notes is \$3,235,423, payable through June 2032. For the current year, interest paid and total TIF receipts were \$61,130 and \$276,089, respectively.

Refinanced Capital Loan Note

The City issued Capital Loan Note Series 2014 was issued on July 22, 2014 for \$1,520,000. The purpose was to pay for the Rail Spur construction project and to refinance 2006 Capital Loan Note for Fire Truck and Airport Hanger and Capital Loan Note Series 2008B, principal and interest paid were \$190,000 and \$36,827.50, respectively.

Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$294,000 in sewer revenue notes issued February 2006. Proceeds from the notes provided financing to construct certain wastewater treatment facilities serving the City. The notes are payable solely from sewer customer net receipts and are payable through 2025. The total principal and interest remaining to

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2016

be paid on the notes is \$165,260. For the current year, principal and interest paid was \$18,710 and total net receipts was \$60,576.

The resolutions providing for the issuance of the sewer revenue bonds include the following provisions.

- (a) Sewer use charges must be established to a level which produces and maintains net revenues at a level not less than 110% of principal and interest falling due in the same year. The required amount was \$18,179 which was met.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,010,000 in water revenue notes issued May 30, 2007 as well as \$940,000 in water revenue notes issued February 12, 2014. Proceeds from the notes provided financing to pay a portion of the costs of improvements and extensions to the Municipal Water Utility. The notes are payable solely from water customer net receipts and are payable through 2027 and 2033 respectively. The total principal and interest remaining to be paid on the notes is \$2,026,673. For the current year, principal and interest paid was \$132,803 and total net receipts was \$178,684.

The resolutions providing for the issuance of the water revenue bonds include the following provisions:

- (a) Reserve fund requires deposits equal to 10% of the amount required to maintain a debt service fund.
- (b) Audit report issued by 180 days after fiscal year end.
- (c) Net revenues of the system for the preceding fiscal year need to be 1.10 times the average annual amount that will be required for both principal and interest. The required amount was \$143,410 which was met.

The City has pledged future electric customer receipts, net of specified operating disbursements, to repay \$800,000 in electric revenue notes issued March 25, 2014. Proceeds from the note provided financing for RICE/NEGHAP compliance and new 12,000v feeder. The total principal and interest remaining to be paid on the note is \$499,088. For the current year, principal and interest paid was \$167,683 and the total net receipts was \$327,347.

The resolutions providing for the issuance of the electric revenue bonds include the following provisions:

- (a) Reserve fund requires deposits equal to 10% of the amount required to maintain a debt service fund. The required amount was \$48,500 which was met.
- (b) Audit report issued by 180 days after fiscal year end.
- (c) Net revenues of the system for the preceding fiscal year need to be 1.10 times the average annual amount that will be required for both principal and interest. The required amount was \$183,131 which was met.

(4) Capital Lease

The City acquired a sanitation truck under a long-term lease. The City entered into the capital lease on May 29, 2009 with an initial payment of \$40,000. Future minimum lease payments under this capital lease at June 30, 2016 are as follows:

	<u>Interest</u>	<u>Principal</u>	<u>Total Payment</u>
2017	\$ 1,570	\$ 28,781	\$ 30,351
2018	795	29,556	30,351
	<u>\$ 2,365</u>	<u>\$ 58,337</u>	<u>\$ 60,702</u>

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2016

(5) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, IA, 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefits or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS' Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2016

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent.

The City's contributions to IPERS for the year ended June 30, 2016 were \$93,934.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions – At June 30, 2016, the City's liability for its proportionate share of the net pension liability totaled \$710,352. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2015, the City's proportion was 0.014289 percent, which was a decrease of 0.000657 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City pension expense, deferred outflows and deferred inflows totaled \$59,905, \$19,558, and \$165,403 respectively.

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation	3.00% per annum.
Effective June 30, 2014	
Salary increases	4.00 to 17.00% average, including inflation
Effective June 30, 2010	
Long-term investment rate of return	7.50% per annum, compounded annually, net of pension plan investment expense, including inflation
Effective June 30, 1996	
Wage growth	4.00% per annum, based on 3% inflation and 1.00% real wage inflation.
Effective June 30, 1990	

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvement based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimated ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Plus Fixed Income	28%	2.04%
Domestic Equity	24%	6.29
International Equity	16%	6.75
Private Equity/Debt	11%	11.32
Real Estate	8%	3.48
Credit Opportunities	5%	3.63
U.S. TIPS	5%	1.91
Other Real Assets	2%	6.24
Cash	1%	(0.71)
Total	100%	

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2016

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 1,243,698	\$ 710,352	\$ 260,169

IPERS' Fiduciary Net Position – Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2016, primarily relating to the General Fund and Electric funds, is as follows:

Type of Benefit	Amount
Vacation	\$ 63,486
Sick leave	139,628
Totals	<u>\$ 203,114</u>

This liability has been computed based on rates of pay in effect at June 30, 2016.

(7) Anticipatory Warrants

Anticipatory warrants are warrants which are legally drawn on City funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented for redemption. There were no unpaid anticipatory warrants at the end of the year.

(8) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 746 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability,

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2016

property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300% of the basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2016 were \$103,392

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

(9) Related Party Transactions

The City had business transactions between the City and City officials totaling \$38,261 during the year ended June 30, 2016. In addition there is an Economic Development Loan with a City Official which was obtained prior to that City Official becoming a Council Member. The loan totaled \$60,000 of which \$40,000 is a forgivable loan through Tax Increment Financing with the loan balance at June 30, 2016 of \$51,164.35.

(10) Health Care Facility Revenue Bonds

The City has issued a total of \$4,800,000 of health care facility revenue bonds under the provisions of Chapter 419 of the Code of Iowa; this was approved January 25, 2016. The bonds and related interest are payable solely from the revenue generated by the Osceola Community Hospital, and the bond principal and interest do not constitute liabilities of the City.

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2016

(11) Senior Housing Revenue Bonds

The City has issued a total of \$1,000,000 of senior housing revenue bonds under the provisions of Chapter 419 of the Code of Iowa; this was approved January 25, 2016. The bonds and related interest are payable solely from the revenue generated by the Heartwood Heights Project, and the bond principal and interest do not constitute liabilities of the City.

(12) Contingency

The City has a self-insurance program in place for the medical insurance that it provides to its employees. Under the program, the employee pays a deductible of \$250 for family coverage and \$250 for single coverage. The insurance policies that the City maintains provide for a \$4,000 deductible for family coverage and \$2,000 single coverage for each calendar year. The City is therefore, liable for the difference in these deductible amounts for each employee. As of June 30, 2016, the unrecognized amount of this total difference amounts to a potential liability to the City of \$68,000.

(13) Deficit Fund Balance

The General Fund had a deficit balance of \$288,006 at June 30, 2016. The City is working towards eliminating this deficit over the next several years using the local option sales tax revenue that went into effect July 1, 2008 as well as transfers from the Utility Funds.

The Enterprise Funds – Golf Course Fund had a deficit balance of \$465,826 at June 30, 2016. This is the eleventh year that the golf course fund is operating as an enterprise fund. The City's goal is to make the golf course self-sufficient in the future years.

The Enterprise Funds – Rail Spur Fund had a deficit balance of \$411,380 at June 30, 2016. The City's goal is to make the rail spur self-sufficient in the future years with the fees that will be charged for using the rail line.

(14) Jointly Governed Organizations

The City is a member of the Lewis and Clark Regional Water System, Inc. (the "System"). The System's twenty members include fifteen municipalities and five rural water systems within South Dakota, Iowa, and Minnesota that provide drinking water to consumers. The System will collect, treat and distribute drinking water to its members when the water treatment plant and pipelines are completed to members. The System's board of directors is comprised of twenty directors, one from each member. No member of the System has an equity interest.

The City has entered into a commitment for (1) the City's portion of the base system costs and (2) the City's costs associated with additional capacity modifications for the Lewis and Clark Regional Water System.

(15) Revolving Loan Fund – Economic Development

The City of Sibley maintains a Revolving Loan Fund wherein money is loaned to local businesses to assist with start-ups and expansions. The Fund was created through funding from the City as well as grants from USDA Rural Development. As of June 30, 2016, the Fund was \$125,109.28 with 5 outstanding economic development loans with original balances of \$240,098.00 having current balances totaling \$150,350.74 with interest rate at 4 ½%. Loan payment receipts for the current year were \$24,789.41. Loans are approved based on number of projected jobs to be created by the activity and overall ability to service the debt. Loans usually are limited to 40% of the proposed project with the balance of the funds needing to come from the Owner's Equity and Conventional Financing. A total of 41 new FT and 11 PT jobs were projected to be created by the businesses who received the loans as well as numerous jobs retained by the businesses through assistance from the Revolving Loan Fund Program.

The Fund also has a 5 year internal loan from the Electric Improvement Fund with a balance of \$22,863.52 at June 30, 2016. Debt service on the internal loan is \$21,215.84 annually.

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2016

(16) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

Transfer to:	Transfer from:	Amount
General Fund	Employee Benefits Fund	\$ 277
General Fund	Capital Reserve Fund	20,000
General Fund	Electric Utility Fund	75,000
General Fund	TIF Fund	1,163
Debt Service Fund	TIF Fund	275,036
Water Improvement Fund	Water Utility Fund	10,000
Water Sinking Fund	Water Utility Fund	55,440
Sewer Relocation Fund	Sewer Utility Fund	19,224
Rail Spur Fund	Electric Utility Fund	24,000
Electric Improvement Fund	Golf Fund - Course	9,968
Electric Revenue Sinking Fund	Electric Utility fund	168,183
Transit Fund	General Fund	22,641
Health Insurance Fund	Employee Benefits Fund	11,300
Health Insurance Fund	Water Utility Fund	2,700
Health Insurance Fund	Sewer Utility Fund	2,059
Health Insurance Fund	Electric Utility fund	14,290
Health Insurance Fund	Garbage Utility Fund	4,250
Golf Fund	Emergency Fund	14,852
Capital Reserve Fund	Electric Utility Fund	11,200
	Sewer Utility Fund	2,200
	Garbage Utility Fund	1,200
	Transit Service	5,000
	Water Utility Fund	2,200
	General Fund	
	Police	10,000
	Fire	12,000
	Street Department	15,000
	Airport	21,101
	Library	2,000
	Park	4,250
	Pool	5,000
	Cemetery	1,000
	Senior Center	1,000
	Legion	1,000
		94,151
	Total	\$ 824,534

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2016

(17) Interfund Loans

The Electric Improvement Fund loaned money to the Golf Fund to purchase a new mower in July 2010. The total amount of the loan was originally \$33,551 with an interest rate of 2%. In August 2011 a new mower was purchased and an additional \$31,900 was borrowed from the Electric Improvement Fund with an interest rate of 2%. In April 2016 a third new mower was purchased for \$23,376 and added to the amount remaining on the prior loans (\$23,607.35). The total amount of the loans was \$46,983.35 with an interest rate of 2% and annual payments of \$9,967.91 through FY 2019. The remaining balance of the loan on June 30, 2016 was \$37,955.10 principal and \$1,916.55 interest.

The Electric Improvement Fund loaned money to the Garbage Fund to purchase new garbage containers in May 2015. The total amount of the loan was originally \$57,669 with an interest rate of 2% and annual payments of \$12,234.96 through FY 2018. The remaining balance of the loan on June 30, 2016 was \$28,746.29 principal and \$1,420.67 of interest. The interest paid in the current year was \$759.10.

(18) Subsequent Events

The City has evaluated for subsequent events through December 15, 2016, the date which the financial statements were available to be issued. The City is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

(19) Litigation

The City is not subject to any pending litigation in the current year and is not aware of any potential litigation.

(20) New Accounting Pronouncement

City of Sibley adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

City of Sibley, Iowa
Other Information

City of Sibley, Iowa
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
Other Information
Year ended June 30, 2016

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 1,117,156	\$ -
Tax increment financing collections	276,089	-
Other city tax	278,351	-
Licenses and permits	46,525	15,835
Use of money and property	36,409	2,753
Intergovernmental	397,255	-
Charges for service	244,674	4,514,011
Special assessments	6,981	-
Miscellaneous	34,134	131,913
Total receipts	<u>2,437,574</u>	<u>4,664,512</u>
Disbursements:		
Public safety	377,443	-
Public works	416,076	-
Health and social services	2,331	-
Culture and recreation	505,258	-
Community and economic development	16,540	-
General government	341,483	-
Debt service	480,282	-
Capital projects	196,692	3,720
Business type activities	-	4,875,622
Total disbursements	<u>2,336,105</u>	<u>4,879,342</u>
Excess of receipts over disbursements	101,469	(214,830)
Other financing sources, net	<u>85,676</u>	<u>(48,007)</u>
Excess of receipts and other financing sources over disbursements and other financing uses	187,145	(262,837)
Balances beginning of year	<u>1,070,262</u>	<u>2,714,896</u>
Balances end of year	<u><u>\$ 1,257,407</u></u>	<u><u>\$ 2,452,059</u></u>

See accompanying independent auditor's report.

Less Funds not Required to be Budgeted		Total Actual	Budgeted Amounts		Final to Actual Variance
			Original	Final	
\$	-	\$ 1,117,156	\$ 1,065,147	\$ 1,065,147	\$ 52,009
	-	276,089	276,199	276,199	(110)
	-	278,351	368,508	368,508	(90,157)
	-	62,360	27,275	42,275	20,085
	-	39,162	22,579	22,579	16,583
	-	397,255	356,798	481,798	(84,543)
	190	4,758,495	5,084,040	5,084,040	(325,545)
	-	6,981	7,000	7,000	(19)
	-	166,047	230,447	230,447	(64,400)
	190	7,101,896	7,437,993	7,577,993	(476,097)
	-	377,443	389,740	389,740	12,297
	-	416,076	439,504	479,504	63,428
	-	2,331	2,350	2,350	19
	-	505,258	447,717	544,717	39,459
	-	16,540	19,500	316,915	300,375
	-	341,483	241,262	387,428	45,945
	-	480,282	501,499	480,283	1
	-	200,412	194,050	292,550	92,138
	54,445	4,821,177	4,495,241	5,288,241	467,064
	54,445	7,161,002	6,730,863	8,181,728	1,020,726
	(54,255)	(59,106)	707,130	(603,735)	(1,496,823)
	34,599	3,070	997,719	997,719	994,649
	(19,656)	(56,036)	1,704,849	393,984	(450,020)
	150,097	3,635,061	4,023,193	4,023,193	388,132
\$	130,441	\$ 3,579,025	\$ 5,728,042	\$ 4,417,177	\$ (61,888)

City of Sibley, Iowa
Notes to Other Information – Budgetary Reporting
June 30, 2016

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregate function level, not the fund. During the year, one budget amendment was approved increasing the disbursements by \$2,427,209. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2016, disbursements did not exceed the amounts budgeted for any of the functions of the governmental or business type activities.

City of Sibley, Iowa
Schedule of the City's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
Last Fiscal Year*
Other Information

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.014289%	0.014946%
City's proportionate share of the net pension liability	\$ 710,352	\$ 604,879
City's covered-employee payroll	\$ 1,051,893	\$ 998,023
City's proportion share of the net pension liability as a percentage of its covered-employee payroll	67.53%	60.61%
Plan fiduciary net position as a percentage of the total pension liability	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of the preceding fiscal year.

See accompanying independent auditor's report.

City of Sibley, Iowa
Schedule of City's Contributions
Iowa Public Employees' Retirement System
Last Fiscal Year*
Other Information

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutory required contribution	\$ 93,934	\$ 87,694	\$ 89,123	\$ 82,068
Contributions in relation to the statutory required contribution	<u>93,934</u>	<u>87,694</u>	<u>89,123</u>	<u>82,068</u>
Contribution deficiency (excess)				
City covered-employee payroll	\$ 1,051,893	\$ 982,014	\$ 998,023	\$ 946,569
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%

See accompanying independent auditor's report.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 74,348	\$ 61,524	\$ 56,984	\$ 52,538	\$ 48,491	\$ 43,902
<u>74,348</u>	<u>61,524</u>	<u>56,984</u>	<u>52,538</u>	<u>48,491</u>	<u>43,902</u>
\$ 921,286	\$ 885,233	\$ 856,898	\$ 827,372	\$ 801,505	\$ 763,520
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

City of Sibley, Iowa
Notes to Other Information – Pension Liability
Year ended June 30, 2016

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

Legislation action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages and 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

City of Sibley, Iowa
Supplementary Information

City of Sibley, Iowa
Statement of Cash Receipts, Disbursements and
Changes in Cash Balances - Nonmajor Governmental Funds
As of and for the year ended June 30, 2016

	Special Revenue Employee Benefit	Urban Renewal Tax Increment
Receipts:		
Property tax	\$ 224,683	\$ -
Tax increment financing collections	-	276,089
Use of money and property	18,375	-
Miscellaneous	-	-
Total Receipts	<u>243,058</u>	<u>276,089</u>
Disbursements:		
Operating:		
Public safety	41,685	-
Public works	76,496	-
Culture and recreation	72,435	-
General government	27,304	-
Total Disbursements	<u>217,920</u>	<u>-</u>
Excess of receipts over (under) disbursements	<u>25,138</u>	<u>276,089</u>
Other financing sources (uses):		
Operating transfers out	<u>(11,577)</u>	<u>(276,199)</u>
Total other financing sources (uses)	<u>(11,577)</u>	<u>(276,199)</u>
Change in cash balances	13,561	(110)
Cash balances beginning of year	<u>147,907</u>	<u>21,443</u>
Cash balances end of year	<u><u>\$ 161,468</u></u>	<u><u>\$ 21,333</u></u>
Cash Basis Fund Balances		
Restricted for:		
Urban renewal purposes	\$ -	\$ 21,333
Special revenue funds	161,468	-
Total cash basis fund balances	<u><u>\$ 161,468</u></u>	<u><u>\$ 21,333</u></u>

See accompanying independent auditor's report.

Schedule 1

Revolving Loan Fund	Emergency Fund	Other Nonmajor Governmental Funds Totals
\$ -	\$ 15,458	\$ 240,141
-	-	276,089
5,902	-	24,277
24,789	-	24,789
30,691	15,458	565,296
-	-	41,685
-	-	76,496
-	-	72,435
143,905	-	171,209
143,905	-	361,825
(113,214)	15,458	203,471
-	(14,852)	(302,628)
-	(14,852)	(302,628)
(113,214)	606	(99,157)
238,323	336	408,009
\$ 125,109	\$ 942	\$ 308,852
\$ -	\$ -	\$ 21,333
125,109	942	287,519
\$ 125,109	\$ 942	\$ 308,852

City of Sibley, Iowa
Schedule of Indebtedness
Year ended June 30, 2016

Obligation	Date of Issue	Interest Rate	Amount Originally Issued	Balance Beginning of Year
Capital Loan Notes:				
General Oblig Capital Loan Notes 2012	7/12/2012	.65% to 3.15%	190,000	\$ 60,000
General Oblig Capital Loan Notes 2014	7/22/2014	2.0% to 4.0%	152,000	1,380,000
Totals				<u>\$ 1,440,000</u>
TIF Capital Loan Notes				
General Oblig Capital Loan Notes 2012	7/12/2012	.65% to 3.15%	2,500,000	\$ 2,300,000
General Oblig Capital Loan Notes 2012B	10/19/2012	1.75%	450,000	410,000
Totals				<u>\$ 2,710,000</u>
Revenue bonds:				
2006 Sewer Revenue	2/1/2006	3%	294,000	\$ 157,000
2007 Water Revenue	5/30/2007	4.5 to 5.75%	1,010,000	720,000
2013 Water Revenue	2/12/2013	1.35% to 3.25%	940,000	885,000
2014 Electric Revenue	3/25/2014	.6% to 1.65%	800,000	645,000
Totals				<u>\$ 2,407,000</u>
Capital Leases:				
2013 Sanitation Truck	6/26/2013	2.69%	140,233	\$ 86,364
Totals				<u>\$ 86,364</u>

See accompanying independent auditor's report.

Schedule 2

Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
	\$ 60,000	\$ -	\$ 300	\$ -
-	190,000	1,190,000	36,828	2,752
\$ -	\$ 250,000	\$ 1,190,000	\$ 37,128	\$ 2,752
\$ -	\$ 110,000	\$ 2,190,000	\$ 53,955	\$ 4,380
-	20,000	390,000	7,175	569
\$ -	\$ 130,000	\$ 2,580,000	\$ 61,130	\$ 4,948
\$ -	\$ 14,000	\$ 143,000	\$ 4,710	\$ 358
-	45,000	675,000	32,940	2,576
-	30,000	855,000	24,863	2,038
-	160,000	485,000	7,683	540
\$ -	\$ 249,000	\$ 2,158,000	\$ 70,195	\$ 5,512
\$ -	\$ 28,027	\$ 58,337	\$ 2,324	\$ 131
\$ -	\$ 28,027	\$ 58,337	\$ 2,324	\$ 131

City of Sibley, Iowa
Schedule of Bond and Note Maturities
June 30, 2016

REVENUE BONDS								
Year Ending June 30	Sewer Project Issued February 1, 2006		Water - Lewis & Clark Project Issued May 30, 2007		Water - Refunding OCRWS Issued February 12, 2013		Electric Projects Issued March 25, 2014	
	Interest Rates	Amounts	Interest Rates	Amounts	Interest Rates	Amounts	Interest Rates	Amounts
2017	3.00%	\$ 14,000	4.50%	\$ 50,000	1.35%	\$ 25,000	1.00%	\$ 160,000
2018	3.00%	15,000	4.50%	50,000	2.30%	30,000	1.35%	160,000
2019	3.00%	15,000	4.50%	55,000	2.30%	25,000	1.65%	165,000
2020	3.00%	15,000	4.50%	55,000	2.30%	30,000		-
2021	3.00%	16,000	4.50%	55,000	2.30%	35,000		-
2022	3.00%	16,000	4.50%	60,000	2.30%	30,000		-
2023	3.00%	17,000	4.55%	65,000	2.85%	30,000		-
2024	3.00%	17,000	4.60%	65,000	2.85%	35,000		-
2025	3.00%	18,000	4.65%	70,000	2.85%	35,000		-
2026		-	4.70%	75,000	2.85%	30,000		-
2027		-	4.75%	75,000	2.85%	35,000		-
2028		-		-	3.25%	80,000		-
2029		-		-	3.25%	80,000		-
2030		-		-	3.25%	85,000		-
2031		-		-	3.25%	85,000		-
2032		-		-	3.25%	90,000		-
2033		-		-	3.25%	95,000		-
TOTAL		<u><u>\$ 143,000</u></u>		<u><u>\$ 675,000</u></u>		<u><u>\$ 855,000</u></u>		<u><u>\$ 485,000</u></u>

See accompanying independent auditor's report.

Schedule 3

Year Ending June 30	CAPITAL LOAN		TIF CAPITAL LOAN NOTES			
	Rail & Refinance GO CLM Series 2014		Water Distribution System Project		SRF Water System Project Issued October 19, 2012	
	Issued July 22, 2014		Issued July 12, 2012			
	Interest Rates	Amounts	Interest Rates	Amounts	Interest Rates	Amounts
2017	2.00%	\$ 200,000	1.15%	\$ 120,000	2.00%	\$ 21,000
2018	2.00%	155,000	1.30%	120,000	2.00%	21,000
2019	2.00%	155,000	1.55%	120,000	2.00%	22,000
2020	2.50%	40,000	1.80%	120,000	2.00%	22,000
2021	2.50%	40,000	2.00%	125,000	2.00%	23,000
2022	2.50%	40,000	2.15%	125,000	2.00%	23,000
2023	2.90%	45,000	2.35%	130,000	2.00%	24,000
2024	2.90%	45,000	2.35%	135,000	2.00%	24,000
2025	2.90%	45,000	2.35%	135,000	2.00%	24,000
2026	3.25%	45,000	2.50%	140,000	2.00%	25,000
2027	3.25%	50,000	2.60%	145,000	2.00%	25,000
2028	3.25%	50,000	3.00%	145,000	2.00%	26,000
2029	4.00%	50,000	3.00%	150,000	2.00%	27,000
2030	4.00%	55,000	3.00%	155,000	2.00%	27,000
2031	4.00%	55,000	3.15%	160,000	2.00%	28,000
2032	4.00%	60,000	3.15%	165,000	2.00%	28,000
2033	4.00%	60,000		-		-
TOTAL		<u>\$ 1,190,000</u>		<u>\$ 2,190,000</u>		<u>\$ 390,000</u>

City of Sibley, Iowa
Schedule of Receipts by Source and Disbursements
By Function - All Governmental Funds
For the Last Ten Years

	2016	2015	2014	2013
Receipts:				
Property tax	\$ 1,117,156	\$ 1,164,593	\$ 1,045,247	\$ 1,120,277
Tax increment financing collections	276,089	196,621	296,332	37,948
Other city tax	278,351	360,376	8,226	313,059
Licenses and permits	46,525	26,777	26,167	28,010
Use of money and property	36,409	34,171	29,418	43,951
Intergovernmental	397,255	328,261	324,445	845,569
Charges for service	244,674	192,495	317,480	247,062
Special assessments	6,981	7,238	8,497	7,751
Grant proceeds	37,669	21,928	-	-
Bond proceeds	-	675,000	5,000	186,161
Miscellaneous	34,134	128,469	63,916	104,500
Total	<u>\$ 2,475,243</u>	<u>\$ 3,135,929</u>	<u>\$ 2,124,728</u>	<u>\$ 2,934,288</u>
Disbursements:				
Operating:				
Public safety	\$ 377,443	\$ 353,509	\$ 453,352	\$ 390,006
Public works	416,076	520,198	508,344	538,479
Health and social services	2,331	500	2,350	2,350
Culture and recreation	505,258	426,351	381,667	384,990
Community and economic development	16,540	19,455	19,177	16,837
General government	341,483	203,594	196,467	355,556
Debt service	480,282	1,104,040	447,371	509,563
Capital projects	196,692	252,526	446,339	2,077,326
Total	<u>\$ 2,336,105</u>	<u>\$ 2,880,173</u>	<u>\$ 2,455,067</u>	<u>\$ 4,275,107</u>

See accompanying independent auditor's report.

Schedule 4

2012	2011	2010	2009	2008	2007
\$ 1,086,682	\$ 1,048,671	\$ 1,038,534	\$ 927,265	\$ 877,354	\$ 796,865
666	43,715	4,185	5,925	180,349	163,874
284,165	194,746	191,464	263,881	-	-
26,537	25,163	28,425	23,240	24,463	25,064
25,976	24,617	19,885	47,788	42,812	49,722
308,153	320,278	275,706	256,327	262,780	254,436
241,259	204,251	133,121	157,932	157,697	180,268
-	-	-	2,030	20,545	28,311
1,379	52,410	214,805	106,491	-	-
-	-	-	1,101,230	-	430,000
100,003	169,571	28,652	225,009	14,089	12,562
\$ 2,074,820	\$ 2,083,422	\$ 1,934,777	\$ 3,117,118	\$ 1,580,089	\$ 1,941,102

\$ 341,329	\$ 331,873	\$ 324,811	\$ 317,098	\$ 298,363	\$ 300,415
541,506	374,353	427,096	481,413	356,800	308,104
2,330	2,330	2,330	1,830	1,830	1,830
398,030	353,512	359,940	408,420	348,178	311,093
16,820	12,621	14,224	11,766	18,591	153,328
248,722	302,313	172,246	187,931	266,106	224,711
319,105	318,013	347,190	425,745	416,302	374,491
305,318	358,138	613,057	836,320	124,086	211,777
\$ 2,173,160	\$ 2,053,153	\$ 2,260,894	\$ 2,670,523	\$ 1,830,256	\$ 1,885,749

City of Sibley, Iowa

**Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

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Sioux Falls, SD 57105
(605) 274-2163
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**Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

To the Honorable Mayor and
Members of the City Council
Sibley, Iowa:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sibley, Iowa, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 15, 2016. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Sibley's internal control over financial reporting to determine our audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinions on the effectiveness of City of Sibley's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Sibley's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City of Sibley's financial statements will not be prevented or detected

and corrected misstatements on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-16 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sibley's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an object of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit is based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Sibley's Responses to Findings

City of Sibley's responses to findings identified in our audit are described in the accompanying Schedule of Findings. City of Sibley's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of the City of Sibley during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Grant and Williams, Inc.
Certified Public Accountants
Sioux Falls, SD
December 15, 2016

City of Sibley, Iowa
Schedule of Findings
Year ended June 30, 2015

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-16-A The City's internal control structure should be designed to provide for the preparation of the financial statements being audited. The City requested the external auditors to prepare the financial statements and related note disclosures as part of our regular audit services.

Recommendation – it is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. During 2006, a new auditing standard from the American Institute of Certified Public Accountants, SAS 112, became effective. This statement requires auditors to communicate this situation to the state as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the City's statements and notes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the City's management. As in prior years, we have instructed management that has the skills, knowledge and experience to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation – It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – We are aware of the risk associated with not preparing our financial statements, but believe our review of the financial statements to be adequate to reduce this risk.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

**City of Sibley, Iowa
Schedule of Findings
Year ended June 30, 2015**

Part II: Other Findings Related to Statutory Reporting:

- II-A-16 Certified Budget – Disbursements during the year ended June 30, 2016 did not exceed the amounts budgeted for any of the governmental functions or the business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”
- II-B-16 Questionable Disbursements – No disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- II-C-16 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-16 Business Transactions – Business transactions between City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Mike Groote, Council Member employee of Cooperative Energy	Tires, repairs and maintenance expenses	\$ 38,261.35
Larry Pedley, Council Member Owner of Max Theater	Economic Development loan prior to becoming a council member, part of loan is forgivable	\$ 51,164.35

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the transactions with the Council Member Groote’s employer Cooperative Energy (Coop) do not appear to represent conflicts of interest as the decision to use the Coop is made by the Department Heads and is the only business within the City of Sibley that provides those services and products.

Recommendation – The City should be aware of the potential for a conflict of interest when dealing with members of the City Council, its employees, and relatives of council and employees. The City should consult with its attorney before entering into any transactions with these people.

Response – The City will consult with our attorney.

Conclusion– Response accepted.

- II-E-16 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-16 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not as required by Chapter 372.13(6) of the Iowa Code.

City of Sibley, Iowa
Schedule of Findings
Year ended June 30, 2015

- II-G-16 Deposits and Investments – No instances of non-compliance with the deposits and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the City’s investment policy were noted.
- II-H-16 Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.
- II-I-16 Financial Condition – The following funds had deficit balances at June 30, 2016: General Fund of \$288,006.22, Enterprise Funds – Golf Course Fund of \$465,825.86 and Enterprise Funds – Rail Spur of \$411,379.72.
- Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.
- Response – The deficits are due to various reasons and the City is taking measures to eliminate the deficits in the funds.
- Conclusion – Response accepted.
- II-J-16 Economic Development – The City paid \$61,819 to the Osceola County Economic Development Committee which may not be an appropriate disbursement of public funds.
- In accordance with Chapter 15A of the Code of Iowa and an Attorney General’s opinion dated August 28, 1986, government financing of economic development may, in appropriate circumstances, serve a public purpose. The opinion advises the governing body to evaluate the public benefits to be obtained and discusses specific criteria to be considered in documenting the public purpose.
- Recommendation – The Council should continue to evaluate and document the public purpose served by the disbursements before authorizing further payments and should require the Development Committee to provide documentation of how the funds were used to accomplish economic development activities.
- Response – We will continue to evaluate and document the public purpose for the economic development annually.
- Conclusion – Response accepted.
- II-K-16 Urban Renewal Annual Report – The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.